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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 AID-05 COME-00 EB-08
FRB-03 INR-10 TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 SS-15 STR-07 CEA-01 DOE-11 SOE-02
DOEE-00 /088 W
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E.O. 11652: NA
TAGS: ECON, CA
SUBJECT: CONCLUSION OF ECONOMIC SUMMIT

1. SUMMARY: THREE DAY ECONOMIC SUMMIT ENDED FEB 15 WITH MIXED RESULTS. FACT OF MEETING AND STATEMENTS ON "DECISIONS" AIMED AT REDUCING GOVERNMENT IMPEDIMENTS IN PRIVATE SECTOR ACTIVITY, PLEDGES OF CONTINUING COOPERATION BETWEEN FEDERAL AND PROVINCIAL GOVERNMENTS, A FOLLOW-ON FIRST MINISTERS MEETING SCHEDULED FOR NOVEMBER, AND OPTIMISTIC STATEMENTS ABOUT INVESTMENT POTENTIAL, ESPECIALLY IN ENERGY, MAY HAVE GIVEN PUBLIC IMPRESSION THAT GOVERNMENTS ARE AT LEAST TRYING TO WORK TOGETHER IN A MORE SYSTEMATIC WAY TOWARDS ECONDMIC RECOVERY AND EXPANSION. HOWEVER, LACK OF MANY CONCRETE RESULTS (AS EXPLOITED BY LEVESQUE - SEE SEPTEL) AND VAGUE TONE OF COMMUNIQUE LEAVES GOVERNMENT OPEN TO CHARGE OF "ELECTIONEERING". PUBLIC REACTION MAY WELL BE SKEPTICAL OF OUTCOME PENDING MORE VISIBLE, CONCRETE RESULTS. END SUMMARY.

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2. COMMUNIQUE AS PUBLISHED IS RATHER MURKY DOCUMENT WHICH IN LARGE PART ENUNCIATES RATHER VAGUE OBJECTIVES ("IMPROVE DEMAND MANAGEMENT POLICIES"), LISTS ON-GOING DEVELOPMENT PROJECTS, AND PROMISES TO "EXAMINE" OTHERS. SOME HIGHLIGHTS ARE:

A. GOVERNOR OF BANK OF CANADA WILL REVIEW OBJECTIVES OF

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MONETARY POLICY ANNUALLY WITH FINANCE MINISTERS.

B. TREND OF GOVERNMENT EXPENDITURE GROWTH SHOULD BE HELD TO LESS THAN GROWTH OF VALUE OF GNP OR PROVINCIAL GROSS PRODUCT.

C. COMPENSATION OF PUBLIC EMPLOYEES SHOULD NOT LEAD THE PRIVATE SECTOR.

D. EFFECTS OF GOVERNMENT REGULATIONS ON JOBS AND COSTS WILL BE REVIEWED BY THE ECONOMIC COUNCIL FOR RECOMMENDATIONS.

E. CANADIANS SHOULD BE ENCOURAGED TO BUY CANADIAN PRODUCED GOODS WHERE QUALITY AND PRICE ARE COMPARABLE TO IMPORTS.

F. THE FEDERAL GOVERNMENT WILL CONTINUE TO KEEP PROVINCES INFORMED ON PROGRESS OF GATT NEGOTIATIONS.

G. FEDERAL AND PROVINCIAL GOVERNMENTS WILL "PROVIDE INCENTIVES AND TAKE MEASURES TO ENSURE THAT THE PROPORTIONAL SHARE OF THE INCREASING INVESTMENT IN NEW PLANT FOR THE AUTOMOBILE INDUSTRY TAKES PLACE IN CANADA".

3. FIRST MINISTERS ALSO AGREED THAT SERIES OF TASK FORCES
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STUDYING VARIOUS SECTORS SHOULD PREPARE POLICY RECOMMENDATIONS BY 30 JUNE AND MAKE FINAL PROPOSALS FOR FIRST MINISTERS BY OCTOBER 1.

4. FIRST MINISTERS AGREED TO MEET AGAIN IN NOVEMBER TO REVIEW STATE OF ECONOMY AND PROGRESS ON POLICY RECOMMENDATIONS. PRECISE NATURE OF ISSUES TO BE REVIEWED AND MANDATE OF NOVEMBER MEETING WERE LEFT UNCLEAR.

5. COMMENT: FEW CONCRETE NEW ECONOMIC MEASURES EMERGED. NO SIGNIFICANT CDNCESSIONS IN FEDERAL PREROGATIVE FOR POLICY-MAKING OR IMPLEMENTATION WERE GIVEN UP BY TRUDEAU. IN HOUSING, FOR EXAMPLE, CHANGE TO BLOCK GRANTS FROM EXISTING PROJECT GRANTS FROM FEDERAL GOVERNMENT TO PROVINCES WILL BE "STUDIED" AND MAY BE IMPLEMENTED ONLY IF STRICT ACCOUNTABILITY OF FUNDS CAN BE WORKED OUT. LEVESQUE MANAGED SUCCESSFULLY TO KEEP HIS DISTANCE FROM OPTIMISM AND (SLIGHTLY STAINED) COOPERATIVE SPIRITS AMONG GOVERNMENTS. PRECISE NATURE OF POST WAGE/PRICE CONTROL MONITORING AGENCY WAS LEFT UNCLEAR.

6. AGREEMENT BY PREMIERS TO BROAD PRINCIPLES AND FOLLOW

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UP STUDIES MAY GIVE PUBLIC IMPRESSION OF AT LEAST A
BEGINNING OF POSITIVE COOPERATIVE STEPS TOWARDS ECONOMIC
MANAGEMENT. HOWEVER, VAUGE NATURE OF MOST DECISIONS,
LAST MINUTE DIFFICULTIES IN DRAFTING COMMUNIQUE, AND
DEFECTION BY LEVESQUE ARE MORE LIKELY TO PRODUCE WAIT AND
SEE ATTITUDE BY PUBLIC. ENDERS

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